

VZCZCXRO3954  
RR RUEHBC RUEHDE RUEHKUK RUEHROV  
DE RUEHRB #0289/01 0951612  
ZNR UUUUU ZZH  
R 041612Z APR 08  
FM AMEMBASSY RABAT  
TO RUEHC/SECSTATE WASHDC 8339  
INFO RUEHCL/AMCONSUL CASABLANCA 3997  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHEE/ARAB LEAGUE COLLECTIVE  
RUEHLO/AMEMBASSY LONDON 3562  
RUEHFR/AMEMBASSY PARIS 4975  
RUEHNN/AMEMBASSY NOUAKCHOTT 3702

UNCLAS SECTION 01 OF 02 RABAT 000289

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DEPT FOR NEA/MAG AND EB/TRA

E.O. 12958: N/A  
TAGS: [ELTN](#) [EINV](#) [ELAB](#) [EAIR](#) [MO](#)  
SUBJECT: TOURISM: ENGINE TO PROGRESS

¶1. Summary: In 2007, Morocco posted its highest tourist numbers on record, attracting 7.4 million visitors, a 13 percent increase over ¶2006. Morocco is on track to achieve its goal of 10 million visitors by 2010, in line with the target of its Vision 2010 program for the sector. In addition to attracting foreign visitors and investment, Vision 2010 aims at creating 600,000 jobs to combat the country's high rate of unemployment. A recently liberalized air traffic sector and historically strong Arab investment have helped boost the tourism sector in Morocco, but bureaucratic problems and a shortage of qualified service works threaten to hinder future progress. End Summary.

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TOURISM: AN ECONOMIC PRIORITY  
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¶2. Morocco's proximity to Europe, good weather and rich cultural heritage have made it an increasingly popular holiday destination for foreign travelers, especially Europeans. This is particularly true among the French who share historic ties to the Maghreb. The number of tourists visiting Morocco climbed to a record high of 7.4 million in 2007, a 13 percent increase from 2006. In 2007, tourism receipts increased 12 percent to reach USD 5.9 billion. Tourism is the country's main source of foreign currency receipts and accounts for eight percent of its GDP. During 2007, the number of nights that tourists spent in Moroccan hotels increased three percent to 16.8 million. Many of Morocco's top tourist destinations profited from this increase including Casablanca (9 percent), Fez (8 percent), Rabat and Marrakech (5 percent), and Tangier (3 percent). However, these numbers do not include other types of accommodation such as riads - traditional Moroccan houses - that have become very popular in Marrakech and Fez, and privately owned apartments. Therefore, actual tourism figures are even higher than statistics show.

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VISION 2010 AND PLAN AZUR  
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¶4. These results are in line with the ambitions of the country's national tourism plan, "Vision 2010," which King Mohammed VI announced in 2001. Vision 2010's goals include increasing the number of tourists by 15 percent annually, with a target of 10 million, including 7 million international visitors, in 2010. It also seeks to add 160,000 hotel beds, create 600,000 jobs in the sector, and increase foreign exchange earnings from tourism to approximately USD 11 billion annually, to bring the sector's share in GDP to 20 percent.

¶5. In order to achieve these ambitious goals, the GOM also announced in 2001 the ambitious Plan Azur, which seeks to develop six state-of-the-art coastal resorts (five on the Atlantic coast and one on the Mediterranean coast). The locations of the six new resorts

were chosen to balance the country's development, long focused on the Casablanca - Rabat axis. Plan Azur should boost the country's beach tourism, while positioning Morocco as a destination that combines world-class holidays with cultural, fitness and eco-tourism. A number of leading global developers are participating in the projects, including firms from the United States (Colony Capital), Spain, and the Gulf.

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AIR TRAFFIC INCREASES  
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16. During 2007, the number of international passengers transiting Moroccan airports increased 16.6 percent to 12.2 million compared to 10.5 million in 2006. Forty eight percent of the passengers used Casablanca's Mohamed V Airport hub, while the country's two principal tourist destinations, Marrakech and Agadir, received 25 percent and 12 percent respectively. The GOM plans to increase the country's airports capacity to 30 million passengers from its current level of 13.5 million per year by 2010, according to the Director General of the Moroccan Airport Office (ONDA), Abdelhanine Benallou. By then, Mohammed V Airport, which just opened a new terminal, expects to receive 11 million passengers per year.

17. Morocco has liberalized its air transport sector to encourage greater numbers of tourists. Key aspects of the liberalization include landing rights for new airlines, the creation of the Moroccan low-cost carriers Atlas Blue and Jet4You, and the creation of new routes (including routes offering priority access to tour operators). The 2006 Open Skies agreement between Morocco and the European Union helped increase the number of tourists by lowering airfares, boosting Internet sales, and attracting new European low-cost carriers such as Easyjet and Ryanair.

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TOURISM CREATES JOBS  
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18. Morocco's tourism sector creates 10 percent of the country's new jobs each year, according to the Minister of Employment and Vocational Training, Jamal Aghmani. The sector is expected to have created 600,000 new jobs by 2010. Morocco has developed a tourism sector strategy that seeks to train 72,000 people by 2010. Enrolment in the country's various Tourism Training Centers rose 52 percent between 2001 and 2006, from 2,660 students to 4,033.

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ARAB INVESTMENTS  
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19. According to the Tourism and Craft Industry Minister, Mohamed Boussaid, Arab investment in the Moroccan tourism sector reached USD 3 billion during the past decade, comprising 28 percent of all investments in the country. In addition, several large-scale investment projects are expected by Arab operators in the near future. One of the most important Arab investors in Morocco, Dubai Holding, has recently signed agreements to develop real-estate projects worth USD 12 billion in major Moroccan cities over the next five years. The company is currently working on a USD 2 billion community development project in Rabat on the Bouregreg River featuring a yacht harbor, five-star hotels, apartments, shopping malls and a convention center. Its USD 600 million Dubai Towers - Casablanca will feature a hotel and an office tower; and the USD 500 million Marina de Casablanca will include offices, retail and entertainment facilities, marina hotels and apartments.

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OBSTACLES TO FUTURE DEVELOPMENT  
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110. Morocco's tourism industry faces several important hurdles including outdated regulations, over taxation and a shortage of qualified personnel. According to Jiwad Ziyat, Director of Development and Investment at the Ministry of Tourism and Crafts

(MTC), Morocco faces particular challenges from the process of land acquisition for tourism development due to the issue of unclear ownership. He said that MTC plans to create a tourism development agency that owns tracts of land with all required environmental protection regulations completed. In addition, the MTC hopes to update zoning regulations to allow investors to begin development faster.

¶11. Ziyat also said that taxation and financing present problems for investors. He said despite the fact the GOM had passed a law granting a five-year tax exemption on profits for new investors, the value-added tax (VAT) remained high. The Moroccan VAT on tourism is 10 percent, while in Spain and in many other countries it is 5 percent. Ziyat said Morocco should give tax breaks to "all investors - foreign and domestic - to reduce the tax burden." He added that tax reform is needed because, "there are numerous taxes, which combined, are a huge drain on businesses."

¶12. Professionals from the tourism sector have complained that Moroccan Tourism Training Centers have frequently sent them people who are "unsuitable" for the hospitality industry. In addition, hotels and resorts often pay insufficient wages to attract and keep qualified workers. This is compounded by seasonal employment that many people find too unstable on which to base a career. These conditions lead many of the best people in the tourism sector to seek higher paying, more stable jobs overseas, especially in Dubai and Spain.

¶13. (SBU) Comment: The tourism sector holds great promise for the Moroccan economy and it has historically produced strong results. Vision 2010 is ahead of schedule and the number of tourists visiting Morocco will only need to grow by slightly over 10 percent annually to reach 10 million visitors in 2010. An economic slowdown in Europe, a terrorist incident in Morocco, or even poor service could disrupt this plan. However, Morocco has a strong track record in the field of tourism, a sound strategy to grow the industry and numerous willing investors to help it keep its economic plans on track. In January and February 2008, Moroccan tourism statistics showed a slight decrease over 2007's exceptional results, but it is too early to tell if this will develop into a trend. End Comment.

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